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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 30 2001

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#### Report Highlights:

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**AGREEMENT REACHED ON P.E.I. 2001 CROP POTATOES:** Canadian Agriculture Minister Lyle Vanclief announced that an agreement has been reached with USDA governing the conditions of trade for the 2001 crop of Prince Edward Island (PEI) potatoes. Last October, the U.S. banned, and later restricted the importation of PEI potatoes due to an outbreak of potato wart on the Island. New trade conditions focusing on plant health measures such as crop inspection, surveillance, and reporting will be put in place. Under the agreement, the Canadian Food Inspection Agency will conduct an intensive surveillance program beginning with this year's crop. "This new set of conditions is certainly a significant step forward for PEI producers," said Ivan Noonan, of the PEI Potato Board. In a press release, Mr. Vanclief said, "Together with industry and the PEI government, the Government of Canada has worked extremely hard to resolve this issue and ease access to U.S. markets. I am very pleased to make this announcement to PEI potato growers today."

**RISK ASSESSMENT FOR YEAR 'ROUND FEEDER CATTLE IMPORTS EXPECTED SOON:** According to Canadian Food Inspection Agency (CFIA) animal health officials, a risk assessment study, which focuses on disease risk (mostly anaplasmosis), is expected to be completed within the next few weeks and lead to a regulatory proposal to permit imports of U.S. feeder cattle into terminal feedlots - where the animals can be transported to slaughter facilities after the feeding period. In 1999, the Alberta Cattle Feeder's Association and the Canadian Cattlemen's Association applied to the CFIA to allow for year 'round access to U.S. feeder cattle (i.e., import U.S. feeder cattle during the summer months, a period not covered by the Northwest Cattle Project which runs October-March). Alberta feedlot industry observers believe that access to U.S. feeder cattle in the summer months could increase imports from the U.S. by 30,000 to 50,000 head per year. Canada imported more than 200,000 head of U.S. feeder cattle during the Northwest Cattle Project's 2000/2001 season (October to March). The CFIA will consult with stakeholders before publishing an official regulatory proposal later this year. The cattle industry is hopeful that a final rule can be in place to allow importations of U.S. feeder cattle into terminal feedlots by the summer of 2002. Also see the Annual Livestock Report, CA1105.

**LIVE HOG EXPORTS TO THE UNITED STATES ON RECORD PACE:** Based on current levels, Canadian live hog exports to the United States are projected to reach a record 5.0 million head during 2001. Feeder pig exports to the U.S. in the first seven months of 2001 are more than 30% above last years' pace. Canadian live hog exports to the U.S. are comprised of hogs for immediate slaughter and feeder pigs. In recent years, the expansion of the feeder pig industry in Canada and structural changes in the U.S. mid-west hog industry have resulted in a dramatic

increase in Canadian feeder pig exports, which have overtaken slaughter hog exports. Most Canadian feeder pig exports to the U.S. are destined for finishing operations in Iowa, Minnesota and Nebraska. Live swine exports to the U.S. represent about one-fifth of the total Canadian pig crop. Combined with pork exports, almost one-third of Canadian hogs are exported to the U.S. in one form or the other. For more information see the Annual Livestock Report, CA1105.

**AGRICORE AND UNITED GRAIN GROWERS TO MERGE:** On July 30, 2001, the Boards of Directors of Agricore and United Grain Growers (UGG) announced they had agreed to a merger proposal to create western Canada's leading, farmer-directed agri-business. The merger plan will create Agricore United. According to *Agriline Daily*, the new combined firm will handle approximately 12.5 mmt of grain annually and have annual sales of approximately \$4.9 billion. Agricore members will receive shares of the new company in exchange for their co-op equity. Archer Daniels Midland, which currently holds 42% of UGG, will have options to buy additional shares to approximately maintain its present interest in the new company. Cost savings from the merger are estimated at \$50 million annually. Members and shareholders will vote August 30 in Calgary. Boards of both firms have already unanimously approved the merger. The merger is subject to a review by the federal Competition Bureau. Agricore is a Canadian, farmer-owned agri-business that provides fully integrated grain marketing and handling services through its prairie-wide network of elevators and a full range of agronomic inputs, supplies and services through retail outlets across western Canada. UGG is one of western Canada's largest agribusiness firms. Founded in 1906, the Winnipeg-based company is diversified into grain merchandising, crop input sales and distribution, livestock production services, and farm business communications.

**COALITION OPPOSED TO GENETICALLY MODIFIED WHEAT:** According to the *Globe and Mail*, a coalition representing farmers, concerned citizens, environmentalists, and the Canadian Wheat Board sent a letter to Canadian Prime Minister Jean Chretien demanding a halt to the approval of GM wheat until its effects on the environment, consumer health and agricultural trade are addressed. The *Globe and Mail* said the groups were reacting to plans by U.S.-based biotech company Monsanto Co. to introduce the world's first GM wheat, known as "Roundup Ready," a herbicide-tolerant spring wheat variety, between 2003 and 2005. The coalition claims that the company has seeded several test fields at secret locations across the Canadian Prairies. "This is just really very powerful technology and it's got a lot of potential, but it's misapplied in this case. It's not something farmers want," said Bill Toews, a grain farmer in Kane, Manitoba. The article says that at a time when many of Canada's wheat customers in Europe and Asia are demanding GM-free certification, the Canadian grain industry is especially nervous about the ability and cost of segregating GM and non-GM crops. Canada is one of the largest wheat producers and exporters in the world -- shipping about 12 million tons worth between C\$3 billion and C\$5 billion annually.

**CROP PROJECTIONS:** The latest Ag Canada forecasts according to *Agriline Daily* for '01-02 crops (with '00 StatsCan figures), in mmt: wheat ex durum 18.00 (21.16), durum 3.80 (5.65), barley 12.45 (13.47), oats 3.43 (3.39), canola 4.14 (7.12), flax 866,000 (693,000).

**AGRICORE CROP REPORT:** The Agricore crop report for week ended July 31 says rain in Manitoba averaging over 1-1/2" (up to 6" in SE) was not needed, reports *Agriline Daily*. Crop

conditions in Manitoba deteriorated significantly in the latest week. According to Agricore's crop condition index (50 is average) wheat is rated 64, durum 72, barley 62-67, oats 62, canola 60, flax 61. A dry weather pattern persisted over Alberta with little or no rain in the south, spotty showers in central districts and heavier amounts in the Peace River district. Alberta crops were little changed with wheat rated 35, durum 12, barley 38-49, oats 44, canola 42, flax 25. In Saskatchewan, crop conditions are most favorable in the SE, while crops in NW and north-central districts look below-average despite rain last week.

**CANADIAN GRAIN COMMISSION INTRODUCES NEW WHEAT GRADE:** The Canadian Grain Commission will introduce a special grade of red spring wheat, 4CWRS, for the '01-02 crop year only, reports *Agriline Daily*. The new grade will consist of wheat that would otherwise grade feed but might be acceptable for milling because of high protein content. This allows slightly lower test weight and more sprouted and frost-damaged wheat than 3CWRS. The Wheat Board requested the additional grade due to drought in Alberta and Saskatchewan this season

**GENETICALLY MODIFIED PIG PRODUCES LESS POLLUTANTS:** The National Post detailed a report from *Nature Biotechnology* about "Enviropigs", transgenic pigs which absorb up to 75% more phosphorous, resulting in less of the chemical in their manure. Developed by researchers at the University of Guelph, and partly funded by Ontario Pork, a provincial hog producer group, the genetically altered pigs are reportedly at least three years away from entering commercial food channels. According to the article, the animals' saliva contains a protein that enables them to digest more of the phosphorous in cereal grains. Hopeful that the Enviropig will someday ease the impact of hog manure on the environment, Ontario Pork has trademarked the Enviropig name in both Canada and the United States.

**CANADIAN LUMBER INDUSTRY REACTION TO LUMBER CASE DELAY:** Canada's softwood lumber industry expressed concern about the U.S. Department of Commerce's postponement of a decision on whether to impose countervailing and antidumping duties on Canadian softwood lumber imports. On July 24, 2001, due to the complex nature of the cases, the DOC announced that it would extend the countervailing duty preliminary determination from July 27, 2001 to August 9, 2001, and the antidumping duty preliminary determination from September 10, 2001 to September 24, 2001. In a press release the DOC said that unadjusted figures covering softwood lumber imports from Canada indicate that June 2001 imports decreased 12% from May 2001. June 2001 lumber imports were down 1% from June 2000. Since the expiration of the softwood lumber agreement on March 31, 2001, unadjusted data show that April to June 2001 imports increased 31% from the previous three months of January to March 2001. "I think they are buying more time," said John Allan, President of the B.C. Lumber Trade Council, which represents the majority of producers in British Columbia. The Canadian industry denies any unfair trade practices and officials said shipments would have risen even more if Canadian mills were not holding back wood to avoid the threat of duties.

**WOOD PACKAGING CERTIFICATION PROGRAM:** Since March, the Canadian Food Inspection Agency has been working with a group of industry and government representatives to develop a Canadian Wood Packaging Certification Program (CWPCP), states *Import Week*. The Association is part of the working group developing the new program. The certification program

is being developed to help ensure that Canadian wood packaging materials will be able to meet more onerous phytosanitary restrictions aimed at preventing the spread of plant quarantine pests via raw wood. The European Union will implement new regulations for coniferous wood packing on October 1, 2001. A draft policy document outlines industry, government, and potential third party inspection bodies' responsibilities under the CWPCP. The draft policy document is designed to facilitate consultations across the country. The CFIA will deliver the full auditing and certification functions for CWPCP during the first year and after that, will consider third party accreditation bodies. The CFIA will reportedly continue to press the European Union for a grace period to allow a reasonable industry and government adaptation period. A grace period is deemed important since it is believed the regulation will be a difficult and complex one to administer.

**CONFECTIONERY SALES GROW:** Total confectionery sales in Canada grew 8% last year, states the *Gar Bar Convenience Reporter*. Confections—including chocolate bars, gum, portable breath fresheners, cough drops, non-chocolate confections and boxed chocolate—continue to grow in Canada. Within the category were sales increases of 20% for portable breath fresheners, 18% for non-chocolate confections and 10% for boxed chocolates and packaged goods. Don Robinson, the Confectionery Manufacturers Association of Canada's chair, says, "Confectionery is a C\$2-billion business in Canada today and it continues to grow. To top that off, Canadian consumption of confections is about 20 lbs. per person per annum." There is still plenty of room to grow before Canadians can catch up with western European countries, where consumption ranges from 30 lbs. to 35 lbs. per person per annum. Canada ranks 12<sup>th</sup> compared to other industrialized countries, which gives space to allow for great growth opportunities.

**A NEW ASSOCIATION FOR TRADE FACILITATORS:** This spring marked the creation of the Association of International Customs and Border Agencies (AICBA). AICBA was formed by combining the two separate memberships of the Customs Brokers Association of Canada (CBAC) and the International Association of Border Agencies (IABC). Enhancing trade between Canada and the United States is an integral part of AICBA's mandate. The memberships of the two founding associations will benefit from combined economies of scale and a permanent presence in Ottawa. AICBA's office is located at 85 Albert Street, Suite 1500, Ottawa, Ontario. AICBA will bridge the information gap between government agencies and members through its web site and custom designed e-mail service. AICBA will lobby government on industry issues.

### **Did You Know...**

That canola production in Canada more than doubled during the 1990s? Saskatchewan and Alberta are the largest canola producing provinces. Of the more than 1.6 million metric tons of vegetable oil produced in Canada, canola accounts for 75% and soybean 19%. Flaxseed, mustard seed and sunflower seed oils make up the remainder. (Source: AAFC)

**Recent Reports from FAS/Ottawa:**

<b>Report Number</b>	<b>Title of Report</b>	<b>Date</b>
CA1099	Canadian Food Brokers' Association Membership	7/18/01
CA1100	Canada: A Great Test Market	7/18/01
CA1102	This Week in Canadian Agriculture, Issue 29	7/26/01
CA1103	Dry Bean and Pea Outlook (AAFC)	7/26/01
CA1104	Grains and Oilseeds Outlook (AAFC)	7/26/01
CA1105	Annual Livestock Report	8/02/01

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